



FOR IMMEDIATE RELEASE

No. 07-250

State Reaches Agreement with ConocoPhillips and Marathon Oil

January 3, 2008, Anchorage, Alaska - Governor Sarah Palin is pleased to announce an agreement between the State of Alaska and oil industry officials that will help ensure energy supplies and energy security for Alaska. The State will support a two-year extension of the federal export license for the LNG plant on the Kenai Peninsula. LNG plant co-owners Marathon Oil Corporation and ConocoPhillips filed for the extension last January. The present export license expires in 2009.

The agreement between the State and the owners of the LNG plant ensures that there will be adequate supplies of gas for local utilities. The agreement also requires the owners to develop additional natural gas reserves in Cook Inlet and allow third parties the opportunity to monetize their gas production through the LNG plant. Marathon and ConocoPhillips have also agreed to sell Cook Inlet seismic and well data to third parties.

"It is our hope that, by reaching this agreement, the U.S. Department of Energy will have the assurances necessary to approve their request," said Governor Palin. "We understand that the export approval is just one step in the process of securing a future for the LNG operation and look forward to working with all stakeholders in achieving the goal of improved gas supply security for Southcentral."

The Kenai LNG facility, located in Nikiski, is the only LNG export plant in North America. The facility initiated operations in 1969 and today employs 58 people; the plant also supports 128 other jobs in the Kenai community. In addition, the operations of the plant contribute approximately \$50 million in royalties and taxes to the state and local economies.

"This agreement improves the prospects for future drilling in the Cook Inlet and supports continued operation of the Kenai plant," said Jim Bowles, president of ConocoPhillips Alaska. "This new level of cooperation is a very positive outcome and is essential for a solution to the natural gas development issues facing Southcentral and the State as a whole."

"Extending the life of the Kenai LNG facility will help manage gas deliveries during peak winter demand and encourage new development," said Steven B. Hinchman, senior vice president of worldwide production, Marathon Oil Company. "This agreement is clearly a win-win for the State of Alaska, the economy of the Kenai region and the local utility needs."

"It is important that the producers and the state can work together," said Gene Dubay, senior vice president of operations for Semco, the parent company of Enstar Natural Gas Company. "In this case the state intervention was the catalyst to reaching agreement on our near-term supply needs."

The agreement and a summary can be found at: <http://www.dog.dnr.state.ak.us/oil/>

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